GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:4862
ANSWERED ON:24.08.2001
TRANSPARENCY IN DISINVESTMENT OF PSU(S)
SURESH KURUP

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether the Government have formulated any new policy to ensure transparency while disinvesting public sector units; and

(b) if so, the details thereof?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE DEPARTMENT OF DISINVESTMENT, MINISTER OF STATE MINISTRIES OF PLANNING, STATISTICS & PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN THE DEPARTMENT OF ADMINISTRATIVE REFORMS AND PUBLIC GRIEVANCE (SHRI ARUN SHOURIE)

(a) & (b) The Government of India is carrying out disinvestment in its public sector undertakings (PSUs) in accordance with the prescribed procedure that ensures complete transparency. The procedure is reviewed from time to time and modified with a view to accelerate the process further. At present, to disinvest equity in PSUs through the strategic sale method, the following broad procedure is followed:

• Proposals for disinvestment in any PSU, based on the recommendations of the Disinvestment Commission or in accordance with the declared Disinvestment Policy of the Government, are examined by the Core Group of Secretaries on Disinvestment (CGD). Thereafter, with the recommendations of the CGD, the proposals are placed for consideration of the Cabinet Committee on Disinvestment (CCD).

• After CCD clears the disinvestment proposal, selection of the Advisors for assisting in the implementation of the disinvestment decision, is done through a competitive bidding process.

The Advisors assist the Government in preparation and issue of advertisement in leading newspapers, for inviting Expression of Interest (EOI) from prospective strategic partners.In cases of urgency, EOI is prepared by Department of Disinvestment and issued after approva

• cases of urgency, EOI is prepared by Department of Disinvestment and issued after approval of Inter-Ministerial Group (IMG).

• After receipt of the EOI, Prospective Bidders are short-listed, based on objective screening in the light of the announced pre-qualification criteria/requirements.

• The Advisors, after due diligence of the PSU, prepare the Information Memorandum in consultation with the concerned PSUThis is given to the short-listed Prospective Bidders, who have entered into a Confidentiality Agreement.

• The draft Share Purchase Agreement or the Shareholder Agreement are also prepared by the Advisors, with the help of the Legal Advisors, and given to the Prospective Bidders for eliciting their reaction.

• The Prospective Bidders undertake due diligence of the PSU and hold discussions with the Advisors/ the Government/ the representatives of the PSU for any clarifications.

• Concurrently, the task of valuation of the PSU is undertaken in accordance with the standard national and international practices.

• Based on the reactions received from the Prospective Bidders, the Share Purchase Agreement and Shareholders Agreement are finalised and after vetting by the Ministry of Law, they are approved by the Government. Thereafter, they are sent to the prospective Bidders for inviting the final binding bids.

• After examination, analysis and evaluation of the bids, the recommendations of the Inter-Ministerial Group (IMG) are placed before the CGD/CCD for a final decision regarding selection of the Strategic Partner, signing of the Share Purchase or Shareholders Agreements and other ancillary issues.

• In the disinvestment process mentioned above, Department of Disinvestment is assisted at each stage by an Inter-Ministerial Group

(IMG) comprising officers from the Ministry of Finance, Department of Public Enterprises, Department of Legal Affairs, Department of Company Affairs, Controller General of Accounts, the Administrative Ministry/Department controlling the PSU, apart from the officers of the Department of Disinvestment and the Advisors.

• After the transaction is completed, all papers and documents relating to it are turned over to the Comptroller and Auditor General of India for CAG to prepare an evaluation for sending to Parliament and releasing to the public.

• Recently guidelines have also been issued on qualifications criteria for Advisors and Bidders, which would add to the transparency of the disinvestment process.